

Message Text

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ACTION EUR-12

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COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: COUNCIL OF AGRICULTURAL MINISTERS FEBRUARY 16-17:
NFDN MIXING REGULATION

REFS: (A) EC BRUSSELS 1471, (B) EC BRUSSELS 1386

1. SUMMARY. LARDINOIS PRESENTED TO THE FEBRUARY 16-17 COUNCIL OF AGRICULTURAL MINISTERS HIS NEW PROPOSAL FOR OBLIGATORY PURCHASE OF NFDN AND SUBSIDIZED STORAGE OF PROTEIN PRODUCTS. DETAILS OF THE PROPOSAL, AS LAID OUT IN TWO DRAFT REGULATIONS SUBMITTED TO THE COUNCIL, DO NOT DIFFER APPRECIABLY FROM WHAT WAS REPORTED IN THE REFEELS. MEMBER STATES GENERALLY FELT THE NEW PROPOSAL TO BE BETTER THAN THE ORIGINAL PROPOSAL FOR A TWO PERCENT MIXING REGULATION. END SUMMARY.

2. COMMISSIONER LARDINOIS PRESENTED HIS NEW PROPOSAL FOR THE OBLIGATORY PURCHASE OF NONFAT DRY MILK POWDER (NFDN) AT THE LIMITED OFFICIAL USE

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FEBRUARY 16-17 COUNCIL OF AGRICULTURAL MINISTERS (REPORTED

SEPTEL). WE HAVE OBTAINED THE DRAFT BASIC REGULATIONS SUBMITTED IN CONJUNCTION WITH THIS PRESENTATION WHICH COVER BOTH THE OBLIGATORY PURCHASE OF NFDM AND THE ESTABLISHMENT OF A TEMPORARY SYSTEM OF SUBSIDIES FOR THE PRIVATE STOCKING OF PROTEIN PRODUCTS. COPIES OF THESE DRAFT REGULATIONS ARE BEING SENT TO JOHN MCCARTHY, EUR/RPE, STATE, AND RICHARD SCHROETER, FAS, AGRICULTURE. THESE REGULATIONS ARE ALONG ESSENTIALLY THE SAME LINES AS REPORTED IN THE REFTELS.

3. THE DRAFT REGULATION FOR THE OBLIGATORY PURCHASE OF NFDM WOULD MAKE IMPORTATION OF THE PRODUCTS LISTED BELOW SUBJECT TO PRESENTATION OF A "PROTEIN CERTIFICATE". WITH THE EXCEPTION OF COMPOUND FEEDS, THERE ARE GATT BINDINGS ON ALL OF THESE PRODUCTS. IN FISCAL 1975, US EXPORTS OF THESE GATT-BOUND ITEMS TOTALED \$1.9 BILLION.

US EXPORTS (FY 1975)
(\$ MILLION)

CXT 12.01B OILSEEDS	1,317(SEE NOTE BELOW)
12.02 FLOUR OF OILSEEDS	.26
23.03AII CORN GLUTEN MEAL NOT EXCEEDING 40 PERCENT PROTEIN CONTENT	78
23.04B OILCAKE	506
23.07B&C COMPOUND FEEDS WITH A PROTEIN CONTENT OF 20 PERCENT OF MORE	N/A
EX 12.10B DRIED FORAGE PRODUCTS WITH A PROTEIN CONTENT OF 14 PERCENT OR MORE	.5

(EXCLUDING PEANUTS WHICH ARE UNBOUND.)

THESE PROTEIN CERTIFICATES ARE TO BE GRANTED ONLY AFTER POSTING OF A DEPOSIT, WHICH IS REFUNDABLE UPON PROOF OF PURCHASE OF A CERTAIN QUANTITY OF NFDM. NEITHER THE AMOUNT OF THE DEPOSIT, THE AMOUNT OF NFDM TO BE PURCHASED NOR THE TIME PERIOD IN WHICH PURCHASE MUST BE MADE ARE SPECIFIED IN THIS DRAFT REGULATION. SIMILARLY, IN THE CASE OF PROTEIN PRODUCTS PRODUCED DOMESTICALLY (RAPESEED, SUNFLOWER SEED, LINSEED, SOYBEAN AND DRIED FORAGE PRODUCTS), THE GRANTING OF EC PRODUCER OR CRUSHING SUBSIDIES WOULD BE CONTINGENT UPON PAYMENT OF A DEPOSIT OR UPON PROOF OF THE PURCHASE OF NFDM. THE REGULATION STATES THAT THE AMOUNT OF THE DEPOSIT MAY BE DIFFERENTIATED ACCORDING LIMITED OFFICIAL USE

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TO PRODUCT BUT DOES NOT SPECIFY FURTHER.

4. THE DRAFT REGULATION ALSO SPECIFIES THAT NFDM PURCHASED UNDER THIS SYSTEM IS NOT TO BE USED IN CALF FEED. INTERVENTION AGENCIES ARE TO ENSURE THAT IT IS DENATURED. (DOUBT WAS EXPRESSED BY SEVERAL MEMBER STATES AT THE COUNCIL MEETING THAT IT WOULD BE POSSIBLE TO DENATURE THE NFDM SO AS TO PROHIBIT ITS USE IN CALF FEED.) COMMENT: CALF FEED IS THE COMMUNITY'S

MAJOR OUTLET FOR NFDM, ACCOUNTING FOR OVER 70 PERCENT OF EC CONSUMPTION. IF NFDM PURCHASED UNDER THE PROPOSED PROGRAM COULD BE USED FOR CALF FEED, FEED MANUFACTURERS WOULD BE ABLE TO REDUCE THEIR PURCHASES OF NFDM ON THE NORMAL COMMERCIAL MARKET BY AN EQUIVALENT AMOUNT -- AND THERE WOULD BE NO INCREASE IN CONSUMPTION OF NFDM. THE USE OF NFDM IN CALF FEEDS IS ECONOMICAL WITH AID OF THE CURRENT EC SUBSIDY OF 36.50 U.A. (I.E., AT A PRICE OF ABOUT 52 U.A./100 KG.) WHILE FOR USE IN OTHER LIVESTOCK FEEDS ITS PRICE MUST BE ABOUT 15 U.A./100 KG. END COMMENT. THE EC SUBSIDY FOR THE FEEDING OF NFDM IS NOT TO BE PAID ON NFDM SOLD UNDER THIS SYSTEM. HOWEVER, THE SELLING PRICE WILL APPARENTLY BE LOWERED TO TAKE ACCOUNT OF THE ABSENCE OF THIS SUBSIDY. MEASURES ARE TO BE TAKEN AS NECESSARY TO ENSURE THAT NFDM STOCKS ARE MADE AVAILABLE THROUGHOUT THE COMMUNITY (WITHOUT EXTRA CHARGE TO THE RECIPIENTS). IT IS PROPOSED THAT THIS REGULATION ENTER INTO FORCE MARCH 15 AND BE TERMINATED OCTOBER 16, 1976, A TOTAL OF SEVEN MONTHS.

6. THE OTHER DRAFT REGULATION PROVIDES FOR A SYSTEM OF SUBSIDIES FOR THE PRIVATE STORAGE OF SOYBEANS, OILCAKES ("RELEVANT PRODUCTS UNDER CXT 23.04B") AND DRIED FORAGE PRODUCTS. CONTRACTS ARE TO BE CONCLUDED WITH THE INTERVENTION AGENCIES OF THE MEMBER STATES. THE TOTAL QUANTITY OF PRODUCTS UNDER CONTRACT IS NOT TO EXCEED THE EQUIVALENT OF 400,000 TONS OF OILCAKE. THE DURATION OF THE CONTRACT IS NOT TO EXCEED 12 MONTHS. THE AMOUNT OF THE SUBSIDY, WHICH IS NOT SPECIFIED, IS TO TAKE ACCOUNT OF STORAGE COST, INTEREST, AND THE "FORESEEABLE" LONG-TERM DEVELOPMENT OF THE MARKET. PRESUMABLY, THIS MEANS THAT THE SUBSIDIES MAY BE ADJUSTED ON THE BASIS OF DIFFERENCES BETWEEN SPOT PRICES AND PRICES ON THE FUTURE MARKET. THE AMOUNT OF THE SUBSIDY WILL EITHER BE SET AS A FIXED AMOUNT OR ESTABLISHED BY TENDER PROCEDURE. IT IS PROPOSED THAT THIS REGULATION GO INTO EFFECT APRIL 1, 1976.

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6. THE REACTION OF THE MEMBER STATES TO LARDINOIS' NEW PROPOSAL WAS DESCRIBED AS "NOT OVERLY CRITICAL." ONLY THE ITALIANS ARE REPORTED TO HAVE SPOKEN OUT AGAINST THE PROPOSAL. IN GENERAL, THE MEMBER STATES FELT THAT THE NEW PROPOSAL WAS CONSIDERABLY BETTER THAN THE ORIGINAL ONE - PRIMARILY BECAUSE IT IS MORE PRACTICAL AND EASIER TO ENFORCE. HOWEVER, MEMBER STATES INDICATED THAT THEY WANTED TO LOOK IT OVER THOROUGHLY. THE PROPOSAL HAS ALSO BEEN SUBMITTED TO THE EUROPEAN PARLIAMENT FOR REVIEW. ACCORDING TO THE GERMAN PERMDEL, ERTL STRESSED THAT THE MAIN PROBLEM WITH THE PROPOSAL WAS ITS EFFECT ON THIRD COUNTRIES. HE REPORTEDLY DEMANDED THAT "NEGOTIATIONS" WITH THE US BE UNDERTAKEN PRIOR TO THE ADOPTION OF THE PROPOSAL. THE GERMAN PERMDEL INDICATED THAT THE GERMAN CABINET HAD EARLIER PRONOUNCED AGAINST THIS PROPOSAL. HE SAID THAT THE STRONGEST OPPOSI-

TION TO THE PROPOSAL CAME FROM THE MINISTRY OF FOREIGN AFFAIRS.
THE GERMAN MINISTRY OF AGRICULTURE, ON THE OTHER HAND, WHILE
NOT FAVORABLY DISPOSED TOWARDS THE MEASURE, FEELS IT IS
INEVITABLE. THE PERMDEL SAID THAT THE GERMAN CABINET WILL
TAKE UP THE ISSUE AGAIN IN THE NEAR FUTURE.HINTON

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